

**SONOMA COUNTY OFFICE  
OF EDUCATION**

04949

**COUNTY OF SONOMA  
SANTA ROSA, CALIFORNIA**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2008**

# SONOMA COUNTY OFFICE OF EDUCATION

YEAR ENDED JUNE 30, 2008

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# SONOMA COUNTY OFFICE OF EDUCATION

YEAR ENDED JUNE 30, 2008

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## FINANCIAL SECTION



## **INDEPENDENT AUDITOR'S REPORT**

**Board of Education  
Sonoma County Office of Education  
Santa Rosa, California**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonoma County Office of Education (the County Office) as of and for the year ended June 30, 2008, which collectively comprise the County Office's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County Office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies, 2007-2008*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

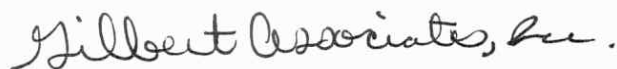
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonoma County Office of Education, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008, on our consideration of the County Office's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Board of Education  
Sonoma County Office of Education**

The Management's Discussion and Analysis on pages 3 through 12, the Schedule of Funding Progress for Other Postemployment Benefits on page 41 and the budgetary comparison information on page 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the County Office's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County Office. The accompanying supplementary information is not a required part of the basic financial statements and is presented for purposes of additional analysis as required by the *Standards and Procedures for Audits of California K-12 Local Educational Agencies, 2007-2008*, published by the Education Audit Appeals Panel. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The budgetary comparison schedule for the SELPA is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Accordingly, the schedule has not been subjected to the auditing procedures applied in the basic financial statements and we express no opinion on it.



**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**October 28, 2008**

# SONOMA COUNTY OFFICE OF EDUCATION

## MANAGEMENT DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2008

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This section of the Sonoma County Office of Education's annual financial report presents our discussion and analysis of the County Office's financial performance during the fiscal year that ended on June 30, 2008. The intent of this discussion and analysis is to look at the County Office's financial performance as a whole. To provide a complete understanding of the County Office's financial performance, please read it in conjunction with the Independent Auditor's Report at the front of this report, notes to the basic financial statements, and the County Office's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- The County Office financial status remained relatively stable for the current year, compared with the prior year.
- Total net assets were \$60,688,186
- Overall revenues were \$127,727,694.
- The total cost of programs was \$127,179,929.
- The Due Diligence process has been completed on the proposed site for a new community school. The funding for the property purchase was approved by the State Allocation Board in August 2008.
- The County Office returned the Lake Sonoma property to the U.S. Department of Education.

The total of the County Office's fixed assets, land, site improvements, construction in progress, buildings and equipment valued on an acquisition basis was \$42,278,688. After depreciation, the June 30, 2008 net book value for fixed assets totaled \$33,160,302.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County Office:

- The first two statements, Statement of Net Assets and Statement of Activities, are *County Office-wide financial statements* that provide both short-term and long-term information about the County Office's overall financial status.

## MANAGEMENT DISCUSSION & ANALYSIS

### YEAR ENDED JUNE 30, 2008

- The remaining statements are *fund financial statements* that focus on individual parts of the County Office, reporting the County Office operations in more detail than the County Office-wide statements. The *governmental funds* statements tell how basic services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the County Office budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and relate to each other.

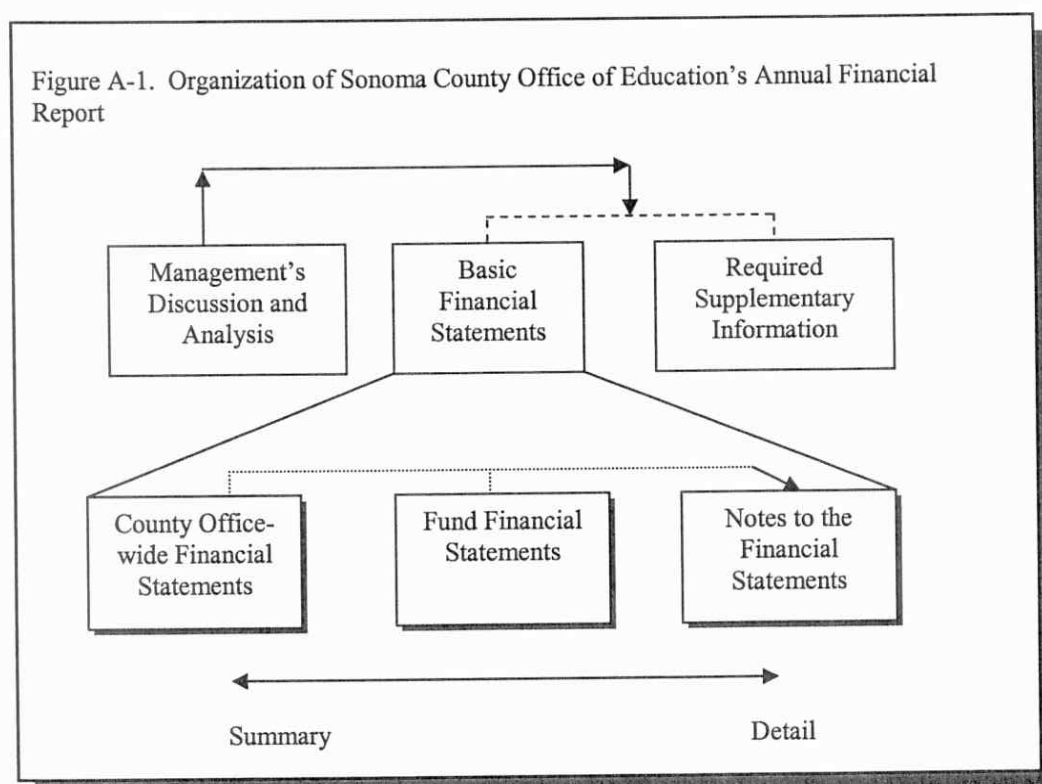


Figure A-2 summarizes the major features of the County Office’s financial statements, including the portion of the County Office’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

# SONOMA COUNTY OFFICE OF EDUCATION

## MANAGEMENT DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2008

Figure A-2

Type of Statements	County Office-Wide	Statements for Governmental Funds
<i>Scope</i>	Entire County office	The activities of the county office
<i>Required Financial Statements</i>	Statement of net assets	Balance sheet
	Statement of activities	Statement of revenues, expenditures & changes in fund balance
<i>Accounting Basis and measurement focus</i>	Annual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.

### County Office Wide-Statements

#### *Statement of Net Assets and the Statement of Activities*

The County Office-wide statements report information about the County Office as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the County Office's assets and liabilities using the accrual basis of accounting. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

These County Office-wide statements report the County Office's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the County Office as a whole, the financial position of the County Office has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the County Office's net assets, as reported in the *Statement of Activities*, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the County Office operating results. However, the County Office goal is to provide services to students and to districts, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of the education and services provided to assess the overall health of the County Office.

# SONOMA COUNTY OFFICE OF EDUCATION

## MANAGEMENT DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2008

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The County Office financial statements include basic services such as curriculum and instruction, financial and business services to districts, special education, special education transportation and administration. Financing most of these activities are property taxes and state formula aid.

### **Fund Financial Statements**

The County Office has three kinds of funds:

- **Governmental funds:** Most of the County Office's basic services are included in governmental funds, which generally focus on:
  1. How cash and other financial assets can readily be converted to cash flow.
  2. The ending balances available for spending.

The governmental fund statements provides a detailed short-term view of the County Office's financial position and whether there are more or fewer financial resources that can be spent in the near future for financing the County Office's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided as a separate reconciliation to the governmental fund statements that explains the differences (or relationships) between them.
- **Proprietary funds:** Services for which the County Office charges a fee are generally reported in a proprietary fund. A type of proprietary fund is the internal service fund which reports activities that provide services for the other programs and activities of the County Office. Proprietary funds are reported in the same way as the government-wide statements. The County Office maintains an internal service fund, the Self-Insurance Fund, which was established to account for the other postemployment benefits.
- **Fiduciary funds:** For assets that belong to others, such as the payroll clearing account, the County Office acts as the trustee, or fiduciary. The County Office has the responsibility for ensuring that assets are used for their intended purpose; and also that they are used by those to whom the assets belong. These assets are excluded from the government-wide financial statements, because the funds cannot be used by the County Office to finance its operations.

# SONOMA COUNTY OFFICE OF EDUCATION

## MANAGEMENT DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2008

### FINANCIAL ANALYSIS OF THE COUNTY OFFICE AS A WHOLE

**Net Assets** The County Office's combined net assets were \$60,688,189 as of June 30, 2008. Of this amount, \$14,512,670 was unrestricted. Investments in capital assets, net of related debt, accounts for \$29,396,964 of total net assets. Restricted assets are \$16,778,552.

Table 1  
Statement of Net Assets  
June 30, 2008

	<u>2007</u>	<u>2008</u>
<b><i>Assets</i></b>		
Current Assets	\$ 53,955,372	\$ 51,816,158
Capital Assets (net of depreciation):	<u>33,876,533</u>	<u>33,160,302</u>
Total Assets	87,831,905	84,976,460
<b><i>Liabilities</i></b>		
Long-Term Liabilities Outstanding	7,111,225	6,327,503
Other Liabilities	<u>22,667,009</u>	<u>17,960,771</u>
Total Liabilities	<u>29,778,234</u>	<u>24,288,274</u>
<b><i>Net Assets</i></b>		
Invested in capital assets, net of related debt	29,783,735	29,396,964
Restricted	16,657,732	16,778,552
Unrestricted	<u>11,612,204</u>	<u>14,512,670</u>
Total Net Assets	<u>\$ 58,053,671</u>	<u>\$ 60,688,186</u>

### Changes in Net Assets

The County Office's change in net asset position is \$547,765. The County Office expenses for instructional and pupil services represented 43% of total expenses. The administrative portion of the County Office accounted for 8%. The remaining 49% was spent in the areas of plant services, pass-through revenue and other expenses, including ancillary and community services, interest on long-term debt and other outgo. The cumulative effect of the change in accounting principle for the implementation of GASB 45 is \$2,086,750 resulting in a restatement of Net Assets – Beginning (See Table 2).

## MANAGEMENT DISCUSSION & ANALYSIS

### YEAR ENDED JUNE 30, 2008

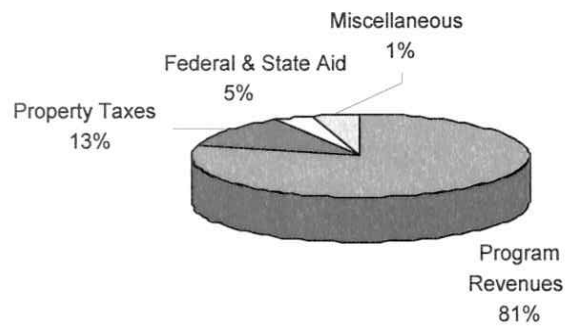
	2007	2008
<u>Revenues</u>		
Program Revenues		
Operating Grants	\$ 72,822,770	\$ 74,788,268
Charges for Services	27,789,719	27,499,682
Capital Grants and Contributions	515,455	61,399
General Revenues		
Property Taxes	15,185,347	15,981,898
Miscellaneous	10,763,149	9,396,447
Total Revenues	<u>127,076,440</u>	<u>127,727,694</u>
<u>Expenses</u>		
Instruction	31,061,672	30,159,435
Instruction Related Services	13,506,028	14,700,161
Pupil Support Services	9,371,090	9,593,849
General Administration	8,946,080	10,096,936
Plant Services	1,724,231	2,187,907
Other (includes special education pass-through)	55,297,953	60,441,641
Total Expenses	<u>119,907,054</u>	<u>127,179,929</u>
Increase in Net Assets	<u>7,169,386</u>	<u>547,765</u>
Net Assets – Beginning	50,884,285	58,053,671
Cumulative effect of the change in accounting principal		<u>2,086,750</u>
Net Assets – as restated	<u>50,884,285</u>	<u>60,140,421</u>
Net Assets – Ending	<u>\$ 58,053,671</u>	<u>\$ 60,688,186</u>

As reported in the Statement of Activities, the cost of all of the County Office's governmental activities this year was \$127,179,929. The amount that local taxpayers financed for these activities through property taxes was \$15,981,898 or 13%.

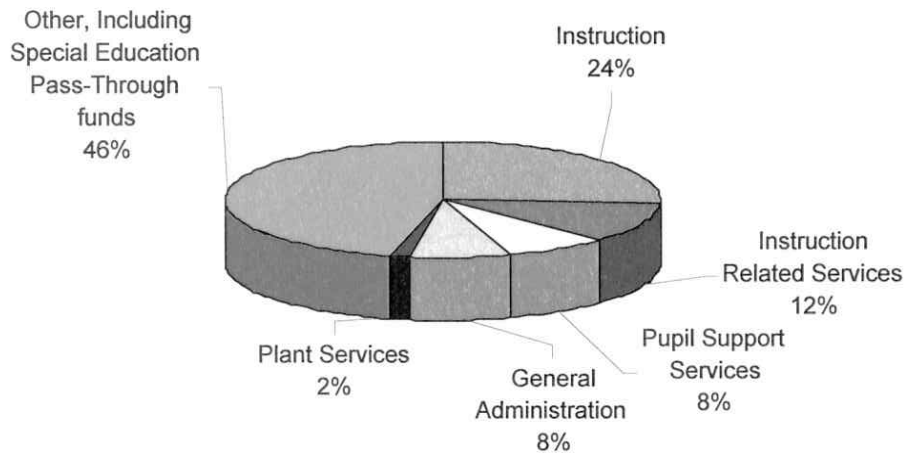
# SONOMA COUNTY OFFICE OF EDUCATION

## MANAGEMENT DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2008

**Sources of Sonoma County Office of Education Revenue  
for the 2007-08 Fiscal Year  
Figure 1**



**Sonoma County Office of Education Expenses for the  
2007-08 Fiscal Year  
Figure 2**



# **SONOMA COUNTY OFFICE OF EDUCATION**

## **MANAGEMENT DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2008**

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### **FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

The fund financial statements focus on individual parts of the County Office's operations in more detail than the government-wide statements. The County Office's individual fund statements provide information on inflows and outflows and balances of spendable resources. The County Office's Governmental Funds reported a combined fund balance of \$30,027,409; an increase of \$2,115,233 from the previous fiscal year's combined ending balance of \$27,912,176. This increase is primarily due to an increase in both restricted and unrestricted program fund balances.

#### **General Fund Budgetary Highlights**

Over the course of the year, the County Office revised the annual operating budget monthly. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for department budgets.

The final revised budget for the General Fund projected a net decrease to the ending balance of \$3,126,535. This deficit projection was primarily a result of budgeting all of the restricted funds the County Office had the authority to spend. Although these amounts are budgeted, there is typically a large carryover of restricted funds, as was the case this year, with \$16,052,971 of the restricted budget remaining unspent.

The financial position of the County Office remained relatively stable for the year. The County Office ended the year with an increase in the general fund balance of \$2,503,775. This was primarily due to an increase in restricted reserves. The State recommends an ending reserve for economic uncertainties of 2% or \$2,482,390. The County Office meets these required reserves.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

By the end of the 2007-08 fiscal year, the County Office had invested \$42,278,688 in a broad range of capital assets, including school buildings, administrative buildings, site improvements and equipment. This amount represents a decrease of \$716,231 from the previous fiscal year, net of depreciation expense.

# SONOMA COUNTY OFFICE OF EDUCATION

## MANAGEMENT DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2008

Table 3  
Capital Assets  
(net of depreciation)

	2006-07	2007-08	Difference	Total Percent Change
Land	\$ 8,032,203	\$ 7,802,203	(230,000)	(2.9%)
Site Improvement	136,808	105,060	(31,748)	(23.2%)
Buildings	24,742,390	24,262,395	(479,995)	(1.9%)
Machinery & Equipment	431,252	415,795	(15,457)	(3.6%)
Construction in Progress	533,880	574,849	40,969	7.7%
Total	\$33,876,533	\$33,160,302	(716,231)	(2.1%)

### *Long-Term Debt*

At June 30, 2008, the County Office had \$6,327,503 in long-term debt outstanding.

#### Sonoma County Office of Education Outstanding Debt June 30, 2007 and 2008

	2007	2008
Post Employment Benefits*	\$ 2,086,750	\$ 1,647,750
Certificates of Participation	3,052,549	2,845,962
Capital Lease Obligations	1,197,937	1,022,473
Compensated Absences	773,989	811,318
Total	\$ 7,111,225	\$ 6,327,503

\*As a result of the prospective implementation of GASB 45 in 07-08, the beginning balance of net assets in the government wide statement of net assets was rested by \$2,086,750 to eliminate the post employment benefits liability at June 30, 2007 that existed prior to implementation.

# **SONOMA COUNTY OFFICE OF EDUCATION**

## **MANAGEMENT DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2008**

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### **FACTORS BEARING ON THE COUNTY OFFICE'S FUTURE**

The State's current budget is a major factor affecting the County Office's future. The financial well being of the County Office is tied in large measure to the State funding formula.

The student enrollment in the county had been steadily declining; however, for 07-08 we had a slight increase. This enrollment and attendance is a primary factor in the computation of most funding formulas for public schools and county offices.

### **CONTACTING THE COUNTY OFFICE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County Office's finances and to demonstrate the County Office's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Sonoma County Office of Education, 5340 Skyline Boulevard, Santa Rosa, CA 95403, 707-524-2819.

# SONOMA COUNTY OFFICE OF EDUCATION

## STATEMENT OF NET ASSETS

JUNE 30, 2008

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and equivalents	\$ 38,134,876
Receivables	13,503,537
Inventories	1,882
Prepaid expenses	175,863
Capital assets (net)	<u>33,160,302</u>
Total assets	<u>84,976,460</u>
 <b>LIABILITIES</b>	
Accounts payable	15,900,874
Deferred revenue	2,059,897
Long-term liabilities due within one year	1,189,102
Long-term liabilities due in more than one year	<u>5,138,401</u>
Total liabilities	<u>24,288,274</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	29,396,964
Restricted for:	
Capital projects	659,994
Educational programs	16,052,971
Other purposes (expendable)	65,587
Unrestricted	<u>14,512,670</u>
Total net assets	<u>\$ 60,688,186</u>

The accompanying notes are an integral part of these financial statements.

# SONOMA COUNTY OFFICE OF EDUCATION

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2008

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Governmental Activities
Governmental activities:					
Instruction	\$ 30,159,435	\$ 11,774,372	\$ 13,604,653	\$ 61,399	\$ (4,719,011)
Instruction-related services:					
Supervision of instruction	8,380,173	1,449,132	5,964,131		(966,910)
Instructional library, media, and technology	838,348	57,925	5,389		(775,034)
School site administration	5,481,640	1,759,316	2,513,603		(1,208,721)
Pupil services:					
Pupil transportation	6,208,776	3,816,728	2,236,463		(155,585)
Food services	55,493	2,387	50,697		(2,409)
Other pupil services	3,329,580	1,616,577	1,458,116		(254,887)
General and administration:					
Data processing services	2,535,892	600,577	51,096		(1,884,219)
Other general administration	7,561,044	1,547,218	1,234,073		(4,779,753)
Ancillary services	30,350				(30,350)
Community services	980,155	439,609	538,030		(2,516)
Enterprise activities	5,636,774	3,276,405	281,702		(2,078,667)
Plant services	2,187,907	697,781	481,432		(1,008,694)
Interest on debt	191,397				(191,397)
Transfers to other agencies	53,602,965	461,655	46,368,883		(6,772,427)
Totals	<u>\$ 127,179,929</u>	<u>\$ 27,499,682</u>	<u>\$ 74,788,268</u>	<u>\$ 61,399</u>	<u>(24,830,580)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					15,981,898
Federal and state aid not restricted to specific purposes					5,752,610
Interest and investment earnings					1,375,037
Miscellaneous					1,387,113
Transfers from other agencies					881,687
Total general revenues					<u>25,378,345</u>
				Change in net assets	<u>547,765</u>
Net assets – as previously reported					58,053,671
Cumulative effect of the change in accounting principle					<u>2,086,750</u>
Net assets – as restated					<u>60,140,421</u>
Net assets – ending					<u>\$ 60,688,186</u>

The accompanying notes are an integral part of these financial statements.

# SONOMA COUNTY OFFICE OF EDUCATION

## BALANCE SHEETS GOVERNMENTAL FUNDS JUNE 30, 2008

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and equivalents	\$ 31,318,621	\$ 3,125,328	\$ 34,443,949
Receivables	13,090,259	413,278	13,503,537
Due from other funds	424,086	196,955	621,041
Inventories	1,882		1,882
Prepaid expenditures	<u>14,071</u>	<u>161,792</u>	<u>175,863</u>
Total assets	<u>\$ 44,848,919</u>	<u>\$ 3,897,353</u>	<u>\$ 48,746,272</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 15,268,762	\$ 632,112	\$ 15,900,874
Due to other funds	196,955	480,546	677,501
Deferred revenue	<u>2,140,488</u>		<u>2,140,488</u>
Total liabilities	<u>17,606,205</u>	<u>1,112,658</u>	<u>18,718,863</u>
Fund balances:			
Reserved for:			
Revolving cash	10,000		10,000
Inventories	1,882		1,882
Prepaid expenditures	14,071		14,071
Capital projects funds		659,994	659,994
Legally restricted programs	16,052,971		16,052,971
Unreserved, designated			
Economic uncertainty	2,482,390		2,482,390
Capital outlay	283,585		283,585
Unreserved, reported in:			
General fund	8,397,815		8,397,815
Special revenue funds	<u>27,242,714</u>	<u>2,124,701</u>	<u>2,124,701</u>
Total fund balances	<u>27,242,714</u>	<u>2,784,695</u>	<u>30,027,409</u>
Total liabilities and fund balances	<u>\$ 44,848,919</u>	<u>\$ 3,897,353</u>	<u>\$ 48,746,272</u>

The accompanying notes are an integral part of these financial statements.

# SONOMA COUNTY OFFICE OF EDUCATION

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

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**Total fund balances, total governmental funds** \$ 30,027,409

Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The historical cost of the capital assets is \$42,278,688 and the accumulated depreciation is \$9,118,386. 33,160,302

Revenues in the statement of activities that do not provide current financial resources, because they will not be collected within the County Office's availability period, are reported as deferred revenues in governmental funds. 80,591

Long-term liabilities are not due and payable in the current period and, are not reported as liabilities in the governmental funds. Long-term liabilities, net deferred charges, are included in governmental activities in the statement of net assets. (4,679,753)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. 2,099,637

**Total net assets, governmental activities** \$ 60,688,186

# SONOMA COUNTY OFFICE OF EDUCATION

## STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
State apportionment	\$ 4,651,253		\$ 4,651,253
Local sources	16,413,857		16,413,857
Total revenue limit	21,065,110		21,065,110
Federal revenues	15,716,732	\$ 357,302	16,074,034
Other state revenues	56,934,993	172,935	57,107,928
Other local revenues	32,816,658	564,008	33,380,666
Total revenues	126,533,493	1,094,245	127,627,738
<b>EXPENDITURES</b>			
Current:			
Instruction	30,200,282		30,200,282
Instruction-related services:			
Supervision of instruction	8,298,009	236,265	8,534,274
Instructional library, media, and technology	851,985		851,985
School site administration	5,570,517		5,570,517
Pupil services:			
Pupil transportation	6,208,002		6,208,002
Food services	55,473		55,473
Other pupil services	3,329,394		3,329,394
General and administration:			
Data processing services	1,904,055		1,904,055
All other general and administration	7,298,959	40,247	7,339,206
Ancillary services	30,350		30,350
Community services	116,319	863,410	979,729
Enterprise activities	3,557,598		3,557,598
Plant services	2,185,105	2,360	2,187,465
Debt service:			
Principal	382,051		382,051
Interest and other charges	191,397		191,397
Capital outlay	142,364	445,398	587,762
Transfers to other agencies	53,602,965		53,602,965
Total expenditures	123,924,825	1,587,680	125,512,505
Excess (deficiency) of revenues over expenditures	2,608,668	(493,435)	2,115,233
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers in	89,763	194,656	284,419
Interfund transfers out	(194,656)	(89,763)	(284,419)
Total other financing sources (uses)	(104,893)	104,893	
Net increase (decrease) in fund balances	2,503,775	(388,542)	2,115,233
Fund balances – beginning	24,738,939	3,173,237	27,912,176
Fund balances – ending	\$ 27,242,714	\$ 2,784,695	\$ 30,027,409

The accompanying notes are an integral part of these financial statements.

# SONOMA COUNTY OFFICE OF EDUCATION

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES JUNE 30, 2008

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<b>Net increase in fund balances, total governmental funds</b>	<b>\$ 2,115,233</b>
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,126,864) exceeds capital outlay (\$656,662.)	(470,202)
Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net assets.	395,296
Premiums, discounts, and other charges related to long-term debt are expended in the year of issuance by governmental funds. However, these costs are deferred and amortized in the statement of activities. This amount reflects the amortization of premiums, discounts, and deferred charges.	(13,245)
Revenues in the statement of activities that do not provide current financial resources, because they will not be collected within the County Office's availability period, are not reported as revenues in governmental funds.	(37,809)
Increases/decrease in the liability for compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, compensated absences are recognized as expenses when earned by employees.	(37,329)
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is recognized.	(246,029)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal activities are reported as governmental in the statement of activities. This amount represents the net decrease in the internal service fund.	<u>(1,158,150)</u>
<b>Increase in net assets, governmental activities</b>	<b><u>\$ 547,765</u></b>

The accompanying notes are an integral part of these financial statements.

# SONOMA COUNTY OFFICE OF EDUCATION

## STATEMENT OF FUND NET ASSETS PROPRIETARY FUND JUNE 30, 2008

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	<b>Self-Insurance Fund</b>
<b>ASSETS</b>	
Cash and equivalents	\$ 3,690,927
Due from other funds	<u>56,460</u>
Total assets	<u>\$ 3,747,387</u>
<b>LIABILITIES</b>	
Net OPEB obligation due in more than one year	\$ 1,647,750
<b>NET ASSETS</b>	
Unrestricted net assets	<u>2,099,637</u>
Total net assets and liabilities	<u>\$ 3,747,387</u>

The accompanying notes are an integral part of these financial statements.

# SONOMA COUNTY OFFICE OF EDUCATION

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND YEAR ENDED JUNE 30, 2008

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	<b>Self-Insurance <u>Fund</u></b>
<b>OPERATING REVENUE</b>	
County Office transfer for OPEB	\$ 765,935
<b>OPERATING EXPENSE</b>	
OPEB benefit expense	<u>2,069,700</u>
Operating loss	(1,303,765)
<b>NON-OPERATING REVENUE</b>	
Interest income	<u>145,615</u>
Decrease in net assets	(1,158,150)
Net assets - beginning	<u>3,257,787</u>
Net assets - ending	<u><u>\$ 2,099,637</u></u>

The accompanying notes are an integral part of these financial statements.

# SONOMA COUNTY OFFICE OF EDUCATION

## STATEMENT OF CASH FLOWS PROPRIETARY FUND YEAR ENDED JUNE 30, 2008

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	<b>Self-Insurance Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
County Office transfer for OPEB	\$ 709,475
OPEB benefit payments	<u>(421,950)</u>
Net cash and equivalents provided by operating activities	287,525
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	<u>145,615</u>
Net increase in cash and equivalents	433,140
Cash and equivalents – beginning of year	<u>3,257,787</u>
Cash and equivalents – end of year	<u>\$ 3,690,927</u>
<b>RECONCILIATION OF OPERATING LOSS TO CASH AND EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (1,303,765)
Changes in operating assets and liabilities:	
Due from other funds	(56,460)
Net OPEB obligation	<u>1,647,750</u>
Net cash and equivalents provided by operating activities	<u>\$ 287,525</u>

The accompanying notes are an integral part of these financial statements.

# SONOMA COUNTY OFFICE OF EDUCATION

## STATEMENTS OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS JUNE 30, 2008

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and equivalents	\$ <u>76,859</u>
Total assets	\$ <u><u>76,859</u></u>
<b>LIABILITIES</b>	
Due to other agencies	\$ <u>76,859</u>
Total liabilities	\$ <u><u>76,859</u></u>

The accompanying notes are an integral part of these financial statements.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

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### 1. SIGNIFICANT ACCOUNTING POLICIES

#### A. ACCOUNTING POLICIES

The Sonoma County Office of Education (the County Office) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the County Office conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

#### B. REPORTING ENTITY

The County Office has reviewed criteria to determine whether other entities with activities that benefit the County Office should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The County Office has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the County Office's financial statements. In addition, the County Office is not aware of any entity that would exercise such oversight responsibility that would result in the County Office being considered a component unit of that entity.

#### C. BASIS OF PRESENTATION

**Government-wide financial statements** – The statement of net assets and the statement of activities display information about the County Office as a whole. These statements include the financial activities of the primary government.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the County Office's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The County Office does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

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revenues of the County Office, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County Office.

**Fund financial statements** – Fund financial statements report more detailed information about the County Office. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column as other governmental funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The Statement of Cash Flows provides information about how the County Office finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The County Office applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, and all Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for its proprietary operations.

Fiduciary funds are reported using the economic resource measurement focus. Fiduciary funds are not included in the government-wide financial statement. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

### D. BASIS OF ACCOUNTING

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

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**Revenues – Exchange and Non-exchange Transactions** – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County Office, “available” means collectible within the current period or within 45, 60, or 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California local education agencies and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined “available” as collectible within one year.

Non-exchange transactions are those in which the County Office receives value without directly giving equal value in return, including property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements, under which the County Office must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the County Office on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue** – Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been offset with deferred revenue.

**Expenses/Expenditures** – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

When both restricted and unrestricted resources are available for use, it is the County Office’s policy to use restricted resources first, then unrestricted resources as they are needed.

### E. FUND ACCOUNTING

The accounts of the County Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. County Office resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The County Office’s accounts are organized into major and non-major funds as follows:

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

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### Major Governmental Fund

The **General Fund** is the primary operating fund of the County Office and includes all Special Education Local Planning Area (SELPA) operations. It is used to account for all financial resources except those required to be accounted for in another fund.

### Non-Major Governmental Funds

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The County Office maintains the following special revenue funds:

The **Child Development Fund** is used to account for resources committed to child development programs maintained by the County Office.

The **Special Reserve Fund** is used to account for special projects other than capital projects as designated by the County Office.

The **County School Facilities Fund**, a Capital Projects Fund, is used to account for state apportionment provided for construction and reconstruction of school facilities under SB50.

### Internal Service Funds

**Internal Service Funds** are used to account for services rendered on a cost-reimbursement basis within the County Office. The County Office maintains an internal service fund, the **Self-Insurance Fund**, which was established to accumulate earmarked assets to finance the cost of other postemployment benefits, to pay the costs of postemployment benefits for current retirees and to record the other postemployment benefit obligation as described in Note 11.

### Fiduciary Funds

Fiduciary funds account for assets held by the County Office in a trustee capacity or an agent on behalf of others.

**Agency Funds** are used to account for assets of others for which the County Office acts as an agent. The County Office maintains the following agency fund:

The **Payroll Clearing Accounts** are used to facilitate the handling of employees' payroll deductions for all of the districts in the county and as a tax fund to account for collection and appropriation of taxes in accordance with Education Code 41750.

## F. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the County Office's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

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These budgets are revised by the County Office's governing board and superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as required supplementary information in these financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The County Office employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

### G. CAPITAL ASSETS

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Improvement of Sites	15-20
Buildings	30
Machinery and Equipment	5

### H. CASH AND CASH EQUIVALENTS

The County Office considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

### I. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are recognized as liabilities of the County Office in the government-wide financial statements. Compensated absences are generally liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the County Office. The County Office's policy is to record sick leave as an operating expenditure in the period taken, since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

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### J. FUND BALANCE RESERVES AND DESIGNATIONS

In the governmental fund financial statements, reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserves for revolving fund, stores inventory, and legally restricted programs reflect the portions of fund balance that are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource use in a future period that is subject to change.

### K. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Sonoma bills and collects the taxes for the County Office.

### L. LONG-TERM OBLIGATIONS

The County Office reports long-term obligations of governmental funds at face value in the government-wide financial statements.

### M. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

### N. GASB STATEMENT IMPLEMENTATION

In July of 2004, the GASB issued GASB Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, with required implementation for the County Office during the June 30, 2009 fiscal year-end. The new statement significantly changes the way state and local governments report their "other postemployment benefits" (OPEB) to the public. As a result of GASB 45, state and local governments will be required to (1) recognize the cost of these benefits in periods when the related services were rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past services and to what extent those benefits have been funded, (3) and provide information useful in assessing potential demands on employer's cash flow. This statement was early implemented by the County Office during the June 30, 2008 fiscal year-end. As a result, the County Office has recorded its net OPEB obligation and included financial statement disclosures in Note 11 regarding the OPEB plan. Additionally, as a result of this prospective implementation, the beginning balance of net assets in the government wide statement of net assets was increased by \$2,086,750.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

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### 2. CASH AND EQUIVALENTS

Cash and equivalents as of June 30, 2008, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and equivalents	\$ 38,134,876
Fiduciary funds:	
Cash and equivalents	<u>76,859</u>
Total cash and equivalents	<u>\$ 38,211,735</u>

Cash and equivalents as of June 30, 2008 consist of the following:

Cash and equivalents in Sonoma County Treasury	\$ 38,201,635
Deposits with financial institutions	<u>10,100</u>
Total cash and equivalents	<u>\$ 38,211,735</u>

#### Cash in County Treasury

In accordance with Education Code Section 41001, the County Office maintains substantially all of its cash in the Sonoma County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

### Investments Authorized by the County Office's Investment Policy

The table below identifies the investment types authorized for the entity by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Agreements	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2008, the weighted average maturity of the investments contained in the Treasury investment pool is approximately 394 days.

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

### Derivative Investments

The County Office did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the County Treasury was not available.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

### 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2008:

	General Fund	Other Governmental Funds	Total Governmental Funds
Federal government	\$ 4,153,302	\$ 71,806	\$ 4,225,108
State government	6,688,532	2,087	6,690,619
Local government	1,761,764	339,385	2,101,149
Note receivable	118,400		118,400
Miscellaneous	368,261		368,261
Totals	<u>\$ 13,090,259</u>	<u>\$ 413,278</u>	<u>\$ 13,503,536</u>

### 4. INTERFUND TRANSACTIONS

Interfund transactions are reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

#### Due from/Due to Other Funds

Individual interfund receivables and payables as of June 30, 2008 were as follows:

Payable Fund	Receivable Fund			Total
	General Fund	Other Governmental Funds	Self Insurance Fund	
General Fund		\$ 196,955		\$ 196,955
Other Governmental Funds	<u>\$ 424,086</u>		<u>\$ 56,460</u>	<u>480,546</u>
Totals	<u>\$ 424,086</u>	<u>\$ 196,955</u>	<u>\$ 56,460</u>	<u>\$ 677,501</u>

Interfund receivables and payables are paid and cleared in the subsequent period.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

### Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers for the year ended June 30, 2008 were as follows:

Transfers Out	Transfers In		
	General Fund	Other Governmental Funds	Total
General Fund		\$ 194,656	\$ 194,656
Other Governmental Funds	\$ 89,763		89,763
Total	\$ 89,763	\$ 194,656	\$ 284,419

### 5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 8,032,203		\$ 230,000	\$ 7,802,203
Construction in progress	533,880	\$ 484,306	443,335	574,849
Total capital assets, not being depreciated	8,566,083	484,306	673,335	8,377,052
Capital assets, being depreciated:				
Improvement of sites	485,153			485,153
Buildings	31,334,813	546,793	53,850	31,827,756
Machinery and equipment	1,560,500	68,900	40,673	1,588,727
Total capital assets, being depreciated	33,380,466	615,693	94,523	33,901,636
Less accumulated depreciation for:				
Improvement of sites	348,345	31,748		380,093
Buildings	6,592,423	1,011,979	39,041	7,565,361
Machinery and equipment	1,129,248	83,137	39,453	1,172,932
Total accumulated depreciation	8,070,016	1,126,864	78,494	9,118,386
Total capital assets, being depreciated, net	25,310,450	(511,171)	16,029	24,783,250
Governmental activities capital assets, net	\$ 33,876,533	\$ (26,865)	\$ 689,364	\$33,160,302

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

For the year ended June 30, 2008, depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 483,973
Data Processing Services	<u>642,891</u>
Total depreciation expense	<u>\$ 1,126,864</u>

### 6. LONG-TERM LIABILITIES

#### Certificates of Participation

On April 2, 2003, the County Office issued \$4,205,000 in refunding certificates of participation with interest rates of 1.00%-4.10%. The proceeds of the certificates were used to advance refund and defease previously issued 1994 certificates of participation.

The certificates were issued for the purpose of realizing interest rate savings and to finance additional capital improvements. The certificates mature on July 1, 2019. The net proceeds from the certificates were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the prior certificates are due.

The certificates mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 225,000	\$ 108,825	\$ 333,825
2010	230,000	102,413	332,413
2011	240,000	95,168	335,168
2012	245,000	87,008	332,008
2013	260,000	78,310	338,310
2014-2018	1,445,000	238,700	1,683,700
2018-2019	<u>320,000</u>	<u>13,120</u>	<u>333,120</u>
Subtotal	2,965,000	723,544	3,688,544
Less: Deferred Amount on Refunding	<u>(119,038)</u>		<u>(119,038)</u>
Totals	<u>\$ 2,845,962</u>	<u>\$ 723,544</u>	<u>\$ 3,569,506</u>

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

### Capital Leases

The County Office leases various equipment under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2009	\$ 150,546
2010	150,547
2011	150,547
2012	150,546
2013	150,546
2014-2017	<u>399,305</u>
Total	1,152,037
Less Amount Representing Interest	<u>(234,661)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 917,376</u>

The County Office will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

### Other General Long-Term Debt

The County Office entered into a 5-year debt agreement. Future minimum lease payments as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2009	\$ 57,234
2010	<u>57,056</u>
Total	114,290
Less Amount Representing Interest	<u>(9,193)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 105,097</u>

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

### Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Certificates of Participation	\$ 3,052,549	\$ 13,245	\$ 219,832	\$ 2,845,962	\$ 225,000
Postemployment					
Benefits (Note 11)		2,069,700	421,950	1,647,750	
Capital Leases	1,040,249		122,873	917,376	100,493
Compensated Absences	773,989	37,329		811,318	811,318
Other General Long-Term					
Debt	<u>157,688</u>		<u>52,591</u>	<u>105,097</u>	<u>52,291</u>
Total	<u>\$ 5,024,475</u>	<u>\$ 2,120,274</u>	<u>\$ 817,246</u>	<u>\$ 6,327,503</u>	<u>\$ 1,189,102</u>

### 7. OPERATING LEASES

The County Office has entered into various operating leases for buildings and equipment with lease terms in excess of one year. All the agreements contain termination clauses providing for cancellation after a specified number of days by submitting written notice to lessors. It is unlikely that the County Office will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2009	\$ 465,229
2010	479,360
2011	403,247
2012	326,048
2013	304,623
2014-2017	<u>589,796</u>
Total	<u>\$ 2,568,303</u>

Total rent expense incurred during the year ended June 30, 2008 under these leases was \$51,014.

### 8. RISK MANAGEMENT

The County Office is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the County Office participated in two joint powers agreements (JPAs) for purposes of pooling of risk related to property and liability and workers' compensation claims. See "Joint Ventures" footnote for nature of participation.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

### 9. JOINT VENTURES (Joint Powers Agreements)

The County Office participates in three joint ventures under joint powers agreements (JPAs), the Redwood Empire School's Insurance Group (RESIG) the Bay Area Schools Insurance Cooperative (BASIC) and School and College Legal Services (SCLS). The relationships between the County Office and the JPAs are such that the JPAs are not component units of the County Office for financial reporting purposes.

RESIG and BASIC arrange for and provide workers' compensation, property, and liability insurance coverage for their members, respectively. RESIG and BASIC are governed by boards consisting of a representative from each member district. The boards control the operations of RESIG and BASIC, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the boards. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in RESIG and BASIC.

School and College Legal Services (SCLS) provides legal services to the County Office and to K-12 and Community College districts throughout Northern California. SCLS is governed by a Board of Directors consisting of Charter Members. The original Charter Members were the Sonoma County Board of Education, the Sonoma County Superintendent of Schools, the Alameda County Board of Education, the Alameda County Superintendent of Schools, the Marin County Superintendent of Schools, the Hayward Unified School District, the Sunol Glen School District and the Sonoma County Junior College. The Charter Members also provide office space, equipment, utilities, personnel, insurance and employee benefits as individually agreed to in the By Laws or in separate agreements entered into between Charter Members and SCLS. As of July 1, 2008, the Alameda County Board of Education and the Alameda County Superintendent of Schools withdrew from participation in the JPA. With the withdrawal of these Charter Member, should the JPA cease to exist, the Sonoma County Board of Education and the Sonoma County Superintendent of Schools would assume fiscal responsibility for the assets and liabilities of SCLS.

#### NATURE OF PARTICIPATION

##### 1. Workers' Compensation (RESIG)

JPA's SIR:	\$1,000,000
Excess Insurance:	Statutory limits

##### 2. Property (RESIG)

County Office	
Deductible:	\$3,500
Coverage:	\$100,000
Excess Insurance:	\$500,000,000

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

### 3. Liability (RESIG/BASIC)

County Office	
Deductible:	\$1,500-30,000
Coverage:	
(RESIG)	\$250,000
Excess Insurance	
(RESIG)	\$250,001 to \$5,000,000
(BASIC)	\$5,000,001 to \$20,000,000

Complete separate financial statements for the JPAs may be obtained from 5760 Skyline Blvd, Suite 100, Windsor, CA 95492.

Condensed financial information of the JPAs is as follows:

	BASIC June 30, 2008	RESIG June 30, 2008	SCLS June 30, 2008
Total Assets	\$ 1,465,463	\$ 38,640,497	\$ 2,151,189
Total Liabilities	\$ 745,171	\$ 22,133,956	\$ 896,318
Retained Earnings	720,292	16,506,541	1,254,871
Total Liabilities and Equity	\$ 1,465,463	\$ 38,640,497	\$ 2,151,189
Total Revenues	\$ 2,955,733	\$ 12,282,245	\$ 4,613,017
Total Expenses	2,550,665	9,715,035	4,789,253
Net Increase (Decrease) in Equity	\$ 405,068	\$ 2,567,210	\$ (176,236)

### 10. COMMITMENTS AND CONTINGENCIES

#### State and Federal Allowances, Awards, and Grants

The County Office has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

#### Litigation

Various claims and litigation involving the County Office are currently outstanding. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the County Office's financial position or results of operations.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

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### 11. EMPLOYEE RETIREMENT SYSTEMS

#### PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

#### CalPERS Plan Description

The County Office contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issue a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

#### CalPERS Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the County Office is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-08 was 9.306% of annual payroll. The contribution requirements of the plan members are established by state statute. The County Office's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$1,328,630, \$1,261,871 and \$1,152,407, respectively, and equal 100% of the required contributions for each year.

#### CalSTRS Plan Description

The County Office contributes to STRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

#### CalSTRS Funding Policy

Active plan members are required to contribute 8% of their salary and the County Office is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-08 was 8.25% annual payroll. The contribution requirements of the plan members are established by state statute. The County Office's contributions to STRS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$1,516,597, \$1,517,301, and \$1,399,144, respectively, and equal 100% of the required contributions for each year.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

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### Other Information

Under STRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The County Office has no obligations to STRS for early retirement incentives granted to terminated employees.

### **OTHER POSTEMPLOYMENT BENEFIT PLAN**

In addition to the CalPERS/CalSTRS pension benefits, the County Office offers a single-employer postretirement health care benefits to age 65 for certain groups of employees (lifetime for certain employees) who retire from the County Office after attaining age 55 with at least ten years of service. These postretirement health care benefit provisions are established per contractual agreement with employee groups. As of June 30, 2008, 97 retirees met these eligibility requirements. The County Office pays up to \$872 per month for health benefits of retirees. As of June 30, 2008, the County Office had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there is no separately issued report of the plan.

The County Office's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. During the year ended June 30, 2008, expenditures of \$2,069,000 were recognized for the OPEB expense.

During the year ended June 30, 2008 the County Office transferred \$765,935 to the Internal Service Fund. This transfer is regarded as earmarking of employer assets to reflect the employer's intent to apply these assets to finance the cost of postemployment benefits at some time in the future and thus do not qualify as contributions. The June 30, 2008 contributions consist of \$421,950 postemployment benefits for current retirees.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimations are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and, if applicable, the disclosure that the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation. The schedule of funding progress included in the required supplementary information presents information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar over a rolling 30 years
Remaining amortization period at June 30, 2008	29
Interest rate assumption	5%
Health inflation assumption	5-11%
Annual required contribution	\$ 2,069,700
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB expense	2,069,700
Contributions made	(421,950)
Increase in OPEB obligation	1,647,750
Net OPEB obligation at July 1, 2007	0
Net OPEB obligation at June 30, 2008	<u>\$ 1,647,750</u>

The County Office's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for June 30, 2008 is as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB expense</u>	<u>% of annual OPEB expense contributed</u>	<u>Net OPEB obligation</u>
6/30/08	\$ 2,069,000	20.39%	\$ 1,647,750

The County Office's funding progress for other postemployment benefits for June 30, 2008 is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ([b - a] / c)</u>
6/30/08	\$0	\$18,471,900	\$18,471,900	0%	\$31,683,800	58%

### 12. ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The County Office was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consisted of state general fund contributions to STRS in the amount of \$1,232,310. The contribution consisted of 4.517% of fiscal year 2007-08 salaries subject to STRS and an additional 2.237% of fiscal year 2003-04 salaries subject to STRS.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# SONOMA COUNTY OFFICE OF EDUCATION

## SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS YEAR ENDED JUNE 30, 2008

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
6/30/08	\$0	\$18,471,900	\$18,471,900	0%	\$31,683,800	58%

# SONOMA COUNTY OFFICE OF EDUCATION

## BUDGETARY COMPARISON SCHEDULE

### GENERAL FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
			GAAP	Favorable
	Original	Final	Basis	(Unfavorable)
<b>REVENUES</b>				
State apportionment	\$ 6,164,437	\$ 5,013,692	\$ 4,651,253	\$ (362,439)
Local sources	14,032,975	15,598,085	16,413,857	815,772
Total revenue limit	20,197,412	20,611,777	21,065,110	453,333
Federal revenues	14,701,051	15,188,338	15,716,732	528,394
Other state revenues	55,497,994	56,768,663	56,934,993	166,330
Other local revenues	32,013,219	32,744,567	32,816,658	72,091
Total revenues	122,409,676	125,313,345	126,533,493	1,220,148
<b>EXPENDITURES</b>				
Certificated personnel salaries	18,304,084	18,795,123	18,793,003	2,120
Classified personnel salaries	15,239,972	15,696,334	15,219,171	477,163
Employee benefits	10,599,520	10,562,324	10,319,156	243,168
Books and supplies	1,675,478	3,090,594	2,347,399	743,195
Services and other operating expenditures	23,689,765	25,811,434	22,972,458	2,838,976
Capital outlay	60,000	233,306	137,472	95,834
Other outgo	53,333,136	53,604,327	53,602,965	1,362
Allocation of indirect cost	(39,134)	(43,840)	(40,247)	3,593
Debt service		586,060	573,448	12,612
Total expenditures	122,862,821	128,335,662	123,924,825	4,418,023
Excess (deficiency) of revenues over expenditures	(453,145)	(3,022,317)	2,608,668	(3,197,875)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	80,000	90,000	89,763	(237)
Interfund transfers out	(194,218)	(194,218)	(194,656)	438
Total other financing sources (uses)	(114,218)	(104,218)	(104,893)	201
Net increase (decrease) in fund balance	(567,363)	(3,126,535)	2,503,775	(3,197,674)
Fund balance – beginning	24,738,939	24,738,939	24,738,939	
Fund balance – ending	\$ 24,171,576	\$ 21,612,404	\$ 27,242,714	\$ (3,197,674)

## **SUPPLEMENTARY INFORMATION SECTION**

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# SONOMA COUNTY OFFICE OF EDUCATION

JUNE 30, 2008

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## ORGANIZATION

The Sonoma County Office of Education provides supportive services to forty school districts within Sonoma County. There were no changes in the County boundaries during the current year.

The County Office supervises the activities and financial affairs of each school district to ensure the requirements of the California Education Code are met. It also provides administrative and budgetary assistance, furnishes educational specialists, facilitates the development or improvement of instructional programs, coordinates inter-county superintendent of schools activities, and performs other services as needed to improve the quality of education throughout the County.

## GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
David Wolf, Ph.D.	President	2010
Pat Hummel	Vice President	2008
Karen Bosworth	Member	2008
Jill Kaufman	Member	2010
Ray Peterson	Member	2010
Kathleen Willbanks	Member	2010
John Musilli	Member	2008

## ADMINISTRATION

Carl Wong, Ed.D.  
Superintendent

Denise Calvert  
Assistant Superintendent, Business Services

Gary Moe  
Assistant Superintendent, Special Education

Don Russell  
Assistant Superintendent, Academic Support

# SONOMA COUNTY OFFICE OF EDUCATION

## SCHEDULE OF AVERAGE DAILY ATTENDANCE YEAR ENDED JUNE 30, 2008

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Juvenile Hall	23	25
Community Schools	26	30
Special Education	162	164
Special Education – Extended Year	<u>16</u>	<u>17</u>
Elementary Totals	<u>227</u>	<u>236</u>
Secondary:		
Juvenile Hall	183	185
Community Schools	207	213
Regional Occupational Programs	1,304	1,341
Special Education	348	352
Special Education – Extended Year	<u>38</u>	<u>42</u>
High School Totals	<u>2,080</u>	<u>2,133</u>
Cal-SAFE	30	31
Adults in Correctional Facilities	<u>43</u>	<u>64</u>
ADA Totals	<u><u>2,380</u></u>	<u><u>2,464</u></u>
		<b><u>Hours of Attendance</u></b>
Supplemental Instruction:		
Elementary		2,329
Secondary		26,687

See the accompanying notes to supplementary information.

# SONOMA COUNTY OFFICE OF EDUCATION

## SCHEDULE OF CHARTER SCHOOLS YEAR ENDED JUNE 30, 2008

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<u>Charter School</u>	<u>Included/Not Included</u>
NONE	

See the accompanying notes to supplementary information.

# SONOMA COUNTY OFFICE OF EDUCATION

## SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2008

Grade Level	1986-87 Minutes Requirement	2007-08 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	53,280	180	In Compliance
Grade 1	50,400	54,150	180	In Compliance
Grade 2	50,400	54,150	180	In Compliance
Grade 3	50,400	54,150	180	In Compliance
Grade 4	54,000	54,150	180	In Compliance
Grade 5	54,000	54,150	180	In Compliance
Grade 6	54,000	54,150	180	In Compliance
Grade 7	54,000	54,150	180	In Compliance
Grade 8	54,000	54,150	180	In Compliance
Grade 9	64,800	65,460	180	In Compliance
Grade 10	64,800	65,460	180	In Compliance
Grade 11	64,800	65,460	180	In Compliance
Grade 12	64,800	65,460	180	In Compliance

County Offices must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201.

# SONOMA COUNTY OFFICE OF EDUCATION

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS YEAR ENDED JUNE 30, 2008

<b>GENERAL FUND</b>				
	June Adopted Budget 2009	2008	2007	2006
Revenues and other financial sources	\$ 120,745,904	\$ 126,623,256	\$ 125,592,829	\$ 117,136,104
Expenditures	122,468,196	123,924,825	118,995,791	114,994,010
Other uses and transfers out	141,243	194,656	937,387	129,263
Total outgo	122,609,439	124,119,481	119,933,178	115,123,273
Change in fund balance	(1,863,535)	2,503,775	5,659,651	2,012,831
Ending fund balance	\$ 25,379,178	\$ 27,242,714	\$ 24,738,939	\$ 19,079,288
Available reserves <sup>1</sup>	\$ 13,015,047	\$ 12,939,319	\$ 12,644,408	\$ 9,200,961
Designated for economic uncertainties	\$ 2,452,189	\$ 2,482,390	\$ 2,398,664	\$ 2,302,466
Undesignated fund balance	\$ 10,562,858	\$ 10,456,929	\$ 10,245,744	\$ 6,898,495
Available reserves as a percentage of total outgo	10.6%	10.4%	10.5%	8.0%
Total long-term debt	\$ 5,138,401	\$ 6,327,503	\$ 7,111,225	\$ 7,986,034
Average daily attendance at P-2 <sup>2</sup>	2,367	2,337	2,329	2,403

<sup>1</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the general fund and any special reserve fund (other than capital projects).

<sup>2</sup> Excludes Adult Education ADA.

The general fund balance has increased by \$8,163,426 over the past two years. The fiscal year 2008-09 budget projects a decrease of \$1,863,535. For a county office this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The County Office has not incurred an operating deficit in the past three years, but anticipates incurring an operating deficit during the 2008-09 fiscal year. Total long-term debt has decreased by \$1,658,531 over the past two years.

Average daily attendance has decreased by 66 over the past two years. An increase of 30 ADA is anticipated during fiscal year 2008-09.

# SONOMA COUNTY OFFICE OF EDUCATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity ID Number	Federal Expenditures
U.S. Department of Education:			
Passed Through California Department of Education:			
Title I, Part A, Basic Grants	84.010	13797	\$ 120,643
Title I, Part A, Delinquent	84.010	13798	266,825
Title IV – Drug-Free Schools	84.186	13453	11,542
Special Education Early Intervention	84.181	23761	258,777
Title II – Teacher Quality	84.367	14341	17,851
Title II – Principal Training	84.367		2,481
Title II, Part D, Enhancing Education Through Technology	84.318	14368	608
Department of Rehabilitation: Workability II	84.158		386,871
Title X, McKinney-Vento Homeless Assistance Grants	84.196	13697	111,019
Title III – Limited English Proficiency (LEP)	84.365	18004	55,131
Title III – Immigrant Education Program	84.365		124,865
Title V, Priority Projects	84.298	13340	5,074
Title IV, Community Service Grant	84.184	14318	333,407
Subtotal			<u>1,695,094</u>
IDEA Part B (Special Education Cluster):			
Basic Local Assistance - Part B – Sec. 611	84.027	13379	11,680,974
Preschool Local Entitlement - Part B – Sec. 611	84.027	13682	614,285
IDEA County Mental Health Plan	84.027	14468	957,154
Preschool Grants – Part B – Sec. 619	84.173	13430	502,291
Preschool Staff Development – Part B – Sec. 619	84.173	13431	2,318
Workability I	84.027	13705	9,355
Infant Discretionary – Part B – Sec. 611	84.027	13612	9,584
Quality Assurance & Focused Monitoring	84.027		29,050
Alternative Dispute Resolution	84.027	13007	15,000
Subtotal Special Education Cluster			<u>13,820,011</u>
Total U.S. Department of Education			<u>15,515,105</u>
U.S. Department of Health and Human Services:			
Passed Through California Department of Education:			
Medi-Cal Option Billing	93.778	10013	125,636
Local Planning Councils	93.596	13946	99,524
Child Care and Development Quality Improvement Activities	93.575	13979	259,374
Total U.S. Department of Health and Human Services			<u>484,534</u>
U.S. Department of Agriculture:			
Passed Through California Department of Education:			
National School Lunch	10.555	13390	58,219
Total U.S. Department of Agriculture			<u>58,219</u>
Total Expenditures of Federal Awards			<u>\$ 16,057,858</u>

See the accompanying notes to supplementary information.

# **SONOMA COUNTY OFFICE OF EDUCATION**

## **RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FUND FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008**

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### **AUDITOR'S COMMENTS**

All fund balances agreed to the unaudited actuals.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2008

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### 1. PURPOSE OF SCHEDULES

#### A. SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of the County Office. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to county offices. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### B. SCHEDULE OF CHARTER SCHOOLS

This schedule lists all charter schools chartered by the County Office and displays information of each charter school on whether or not it is included in the County Office's financial statements.

#### C. SCHEDULE OF INSTRUCTIONAL TIME

The County Office has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the County Office and whether the County Office complied with the provisions of Education Code Sections 46201 through 46206.

#### D. SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

This schedule discloses the County Office's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the County Office's ability to continue as a going concern for a reasonable period of time.

#### E. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County Office and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

# SONOMA COUNTY OFFICE OF EDUCATION

## NOTES TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2008

### F. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County Office provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	\$ 11,366,623
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	1,013,077
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027	434,261
IDEA Preschool Grants, Part B, Sec 619	84.173	360,355
Title III, Limited English Proficiency (LEP) Student Program	84.365	55,131
IDEA Preschool Staff Development, Part B, Sec 619	84.173	<u>3,661</u>
Total Amount Provided to Subrecipients		<u>\$ 13,233,108</u>

### G. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the fund equity of all funds as reported on the unaudited actuals to the audited fund financial statements.

### 2. EARLY RETIREMENT INCENTIVE PROGRAM

The County Office has not adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, during the year ended June 30, 2008.

### 3. EXCESS SICK LEAVE

The County Office does not provide more than 12 sick leave days in a school year to any CalSTRS member.

## **ADDITIONAL INFORMATION**

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# SONOMA COUNTY OFFICE OF EDUCATION

## BUDGETARY COMPARISON SCHEDULE

### SELPA

YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>GAAP</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	\$ 8,746,540	\$ 9,406,540	\$ 9,674,228	\$ 267,688
Total revenue limit	8,746,540	9,406,540	9,674,228	267,688
Federal Sources	13,566,906	13,565,400	14,032,202	466,802
Other state revenues	44,767,302	44,869,370	44,177,410	(691,960)
Other local revenues	4,122,878	4,296,018	4,430,700	134,682
Total revenues	<u>71,203,626</u>	<u>72,137,328</u>	<u>72,314,540</u>	<u>177,212</u>
<b>EXPENDITURES</b>				
Certificated personnel salaries	1,273,230	1,358,516	1,358,516	
Classified personnel salaries	579,882	583,246	586,809	(3,563)
Employee benefits	446,755	486,041	470,832	15,209
Books and supplies	208,923	302,501	267,114	35,387
Services and other operating expenditures	7,048,277	7,339,347	6,646,529	692,818
Capital outlay	15,000		5,727	(5,727)
Other outgo	52,396,882	53,216,241	52,953,304	262,937
Allocation of indirect const	212,308	222,671	210,454	12,217
Total expenditures	<u>62,181,257</u>	<u>63,508,563</u>	<u>62,499,285</u>	<u>1,009,278</u>
Excess of revenues over expenditures	9,022,369	8,628,765	9,815,255	1,186,490
<b>OTHER FINANCING SOURCES (USES)</b>				
Contributions	<u>(9,022,369)</u>	<u>(8,755,696)</u>	<u>(7,556,805)</u>	<u>1,198,891</u>
Net increase (decrease) in fund balance		(126,931)	2,258,450	2,385,381
Fund balance – beginning	<u>5,320,609</u>	<u>5,320,609</u>	<u>5,320,609</u>	
Fund balance – ending	<u>\$ 5,320,609</u>	<u>\$ 5,193,678</u>	<u>\$ 7,579,059</u>	<u>\$ 2,385,381</u>

## **OTHER INDEPENDENT AUDITOR'S REPORTS**



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**Board of Education  
Sonoma County Office of Education  
Santa Rosa, California**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonoma County Office of Education (the County Office) as of and for the year ended June 30, 2008, which collectively comprise the County Office's basic financial information and have issued our report thereon dated October 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County Office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Office's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County Office's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County Office's financial statements that is more than inconsequential will not be prevented or detected by the County Office's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County Office's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Education, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**October 28, 2008**



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Education  
Sonoma County Office of Education  
Santa Rosa, California**

Compliance

We have audited the compliance of the Sonoma County Office of Education (the County Office) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County Office's major federal programs are identified in the Summary of Auditor's Results included in the accompanying Findings and Questioned Costs Section. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County Office's management. Our responsibility is to express an opinion on the County Office's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County Office's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County Office's compliance with those requirements.

In our opinion, the County Office complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

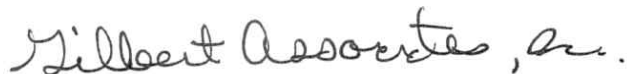
The management of the County Office is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County Office's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County Office's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of and use of the audit committee, management, Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**October 28, 2008**



## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

**Board of Education  
Sonoma County Office of Education  
Santa Rosa, California**

We have audited the financial statements of the Sonoma County Office of Education (the County Office), as of and for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies, 2007-08*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The County Office's management is responsible for the County Office's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the County Office's compliance with the state laws and regulations applicable to the following items:

<b>Description</b>	<b>Procedures in Audit Guide</b>	<b>Procedures Performed</b>
Attendance Reporting	8	Yes
Kindergarten Continuation	3	Not Applicable
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Adult Education	9	Yes
Regional Occupational Centers/Programs	6	Yes
Instructional Time For:		
School Districts	6	Not Applicable
County Offices of Education	3	Yes
Community Day Schools	9	Not Applicable
Morgan Hart Class Size Reduction Program	7	Not Applicable
State Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
Grades 9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Not Applicable
Classroom Teacher Salaries	1	Not Applicable
Early Retirement Incentive Program	4	Not Applicable

<b>Description</b>	<b>Procedures In Audit Guide</b>	<b>Procedures Performed</b>
GANN Limit Calculation	1	Yes
School Construction Fund:		
School District Bonds	3	Not Applicable
State School Facilities Funds	1	Not Applicable
Excess Sick Leave	2 or 3	Yes
Notice of Right to Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Lottery Funds:		
Proposition 20 (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	No <sup>1</sup>
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
Districts or Charter School with one School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Contemporaneous Records of Attendance, for charter schools	1	Not Applicable
Mode of Instruction, for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based, for charter schools	3	Not Applicable

<sup>(1)</sup> School Accountability Report Card for 2007-08 had not been filed by the completion of audit fieldwork. Therefore, we were unable to perform the audit procedures.

Based on our audit, we found that, for the items tested, the County Office complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the County Office had not complied with the state laws and regulations.

This report is intended solely for the information of and use of the audit committee, management, Board of Education and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



**GILBERT ASSOCIATES, INC.  
Sacramento, California**

**October 28, 2008**

## **FINDINGS AND RECOMMENDATIONS SECTION**

# SONOMA COUNTY OFFICE OF EDUCATION

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2008

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### SECTION I - SUMMARY OF AUDITOR'S RESULTS

#### *Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes        X   No

Significant deficiencies identified not considered to be material weaknesses? \_\_\_\_\_ Yes        X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

#### *Federal Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes        X   No

Significant deficiencies identified not considered to be material weaknesses? \_\_\_\_\_ Yes        X   None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? \_\_\_\_\_ Yes        X   No

#### Identification of major programs

CFDA Numbers  
84.027, 84.173

Name of Federal Program or Cluster  
Special Education: IDEA Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 481,736

Auditee qualified as low-risk auditee?

  X   Yes      \_\_\_\_\_ No

# SONOMA COUNTY OFFICE OF EDUCATION

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2008

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### *State Awards*

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes

  X   No

Significant deficiencies identified not  
considered to be material weaknesses?

\_\_\_\_\_ Yes

  X   None Reported

Type of auditor's report issued on  
compliance for state programs:

Unqualified

**SONOMA COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

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**FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings reported.

**STATE COMPLIANCE**

There were no state compliance findings reported.

**FEDERAL COMPLIANCE**

There were no federal compliance findings reported.

# **SONOMA COUNTY OFFICE OF EDUCATION**

## **STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS YEAR ENDED JUNE 30, 2008**

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### **STATUS OF PRIOR YEAR FINDINGS**

There were no findings reported in the prior year.